

Meeting of Federal Open Market Committee

October 8, 1968

MINUTES OF ACTIONS

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D. C., on Tuesday, October 8, 1968, at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Hayes, Vice Chairman
Mr. Brimmer
Mr. Daane
Mr. Galusha
Mr. Hickman
Mr. Kimbrel
Mr. Maisel
Mr. Mitchell
Mr. Morris
Mr. Robertson
Mr. Sherrill

Messrs. Bopp, Clay, Coldwell, and Scanlon,
Alternate Members of the Federal Open
Market Committee

Messrs. Heflin, Francis, and Swan, Presidents
of the Federal Reserve Banks of Richmond,
St. Louis, and San Francisco, respectively

Mr. Holland, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant Secretary
Mr. Hexter, Assistant General Counsel
Mr. Brill, Economist

Messrs. Axilrod, Hersey, Kareken, Link,
Mann, Partee, Solomon, and Taylor,
Associate Economists

Mr. Holmes, Manager, System Open Market
Account

Mr. Wernick, Associate Adviser, Division
of Research and Statistics, Board of
Governors

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Mr. Keir, Assistant Adviser, Division of
Research and Statistics, Board of
Governors

Mr. Bernard, Special Assistant, Office
of the Secretary, Board of Governors

Miss Eaton, Open Market Secretariat
Assistant, Office of the Secretary,
Board of Governors

Messrs. Eastburn, Baughman, Jones, Nelson,
Tow, and Green, Vice Presidents of the
Federal Reserve Banks of Philadelphia,
Chicago, St. Louis, Minneapolis, Kansas
City, and Dallas, respectively

Messrs. Bodner and Snellings, Assistant Vice
Presidents of the Federal Reserve Banks
of New York and Richmond, respectively

Mr. Cooper, Manager, Securities and
Acceptance Departments, Federal Reserve
Bank of New York

Mr. Anderson, Financial Economist, Federal
Reserve Bank of Boston

Mr. Olson, Economist, Federal Reserve Bank
of San Francisco

By unanimous vote, the minutes of actions taken at the
meeting of the Federal Open Market Committee held on September 10,
1968, were approved.

The memorandum of discussion for the meeting of the Federal
Open Market Committee held on September 10, 1968 was accepted.

By unanimous vote, the System open market transactions in
foreign currencies during the period September 10 through October 7,
1968, were approved, ratified, and confirmed.

Secretary's Note: On March 14, 1968, the Committee had
authorized negotiations looking toward increases in a number of
System swap lines, on the understanding that any such increases

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would become effective upon a determination by Chairman Martin that they were in the national interest. As a result of a determination by Chairman Martin on October 8, 1968, that an increase in the swap line with the Bank of Italy from \$750 million to \$1 billion equivalent was in the national interest, the table contained in paragraph 2 of the authorization for System foreign currency operations was amended, effective immediately, to read as follows:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	100
National Bank of Belgium	225
Bank of Canada	1,000
National Bank of Denmark	100
Bank of England	2,000
Bank of France	700
German Federal Bank	1,000
Bank of Italy	1,000
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	400
Bank of Norway	100
Bank of Sweden	250
Swiss National Bank	600
Bank for International Settlements:	
System drawings in Swiss francs	600
System drawings in authorized European currencies other than Swiss francs	1,000

Also, on September 24, 1968, under the terms of the Committee's action of July 16, 1968, Chairman Martin had determined that an increase of \$650 million, to \$1 billion equivalent, in the limit on outstanding System forward commitments to deliver foreign

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currencies to the Stabilization Fund was in the national interest. Accordingly, paragraph 1C(1) of the authorization for System foreign currency operations was amended, effective September 24, 1968, to read as follows:

Commitments to deliver foreign currencies to the Stabilization Fund, up to \$1 billion equivalent.

By unanimous vote, the open market transactions in Government securities, agency obligations, and bankers' acceptances during the period September 10 through October 7, 1968, were approved, ratified, and confirmed.

With Messrs. Hayes, Hickman, and Kimbrel dissenting, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to execute transactions in the System Account in accordance with the following current economic policy directive:

The information reviewed at this meeting suggests that over-all economic expansion has moderated, although less than projected, from its very rapid pace earlier in the year, but upward pressures on prices and costs are persisting. Most market interest rates have changed little on balance in recent weeks. Bank credit and time and savings deposits expanded rapidly this summer, but the money supply has shown no net growth since July after rising substantially for several months. The earlier improvement in the U.S. balance of payments was not maintained in August and September, according to preliminary indications, and the foreign trade balance and underlying payments position continue to be matters of serious concern. In this situation, it is the policy of the Federal Open Market Committee to foster financial conditions conducive to sustainable economic growth,

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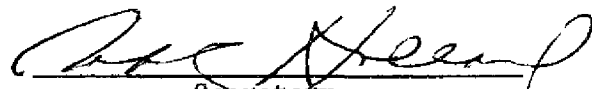
continued resistance to inflationary pressures, and attainment of reasonable equilibrium in the country's balance of payments.

To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining about the prevailing conditions in money and short-term credit markets; provided, however, that operations shall be modified, to the extent permitted by the forthcoming Treasury refunding operation, if bank credit expansion appears to be significantly exceeding current projections.

It was agreed that the Secretariat for the current Treasury-Federal Reserve study of the U.S. Government securities market should be continued on a permanent basis, with responsibility for continuing study of the operations and functioning of the U.S. Government securities market.

It was agreed that the next meeting of the Committee would be held on Tuesday, October 29, 1968, at 9:30 a.m.

The meeting adjourned.


Secretary